Responsible Investment

ANNUAL REPORT 2024

Roc Partners

AUTHORS OF THIS REPORT:
JENNA LINDBECK & SAMANTHA BAYES

THIS REPORT IS FOR THE 2024
FINANCIAL YEAR PERIOD:
1 JULY 2023 - 30 JUNE 2024

Stewardship and value creation

CLIMATE CHANGE is one of the defining issues of our time - and we are at a defining moment.

In 2023, climate records were once again broken, and in some cases shattered, with the World Meteorological Organisation's State of the Global Climate report[1] showing that the world recorded its warmest year on record[2].

With over 90% of global GDP now captured by a net zero target[3], it is clear transition to a low-carbon economy is inevitable.

The scale of transformation required globally to achieve net zero by 2050 is unprecedented. It will require rapid and massive deployment of clean technologies, significant energy efficiency improvements, widespread electrification, substantial policy changes, and record levels of global cooperation and investment across all sectors of the economy.

With enormous change on the horizon, capital markets play a pivotal role in mobilising substantial investments, redirecting capital flows, creating incentives for businesses to decarbonise, and driving transparency and accountability.

> THIS YEAR, WE ENTERED A JOINT VENTURE WITH C6 INVESTMENT MANAGEMENT TO ESTABLISH SILVA CAPITAL. SILVA CAPITAL HAD A FIRST CLOSE ON THE FLAGSHIP SILVA CARBON ORIGINATION FUND (SCOF), WHICH DEVELOPS HIGH-INTEGRITY CARBON CREDITS.

Unsurprisingly, a staggering amount of investment is required to fund the transition, with current estimates suggesting US$9.2 trillion average annual spend on physical assets.[4] Transition-aligned investments may represent one of the most significant reallocations of capital to date.

Roc Partners recognises its role in providing funding and investment for the transition towards net zero. This year, we entered a Joint Venture with C6 Investment Management to establish Silva Capital. The flagship Silva Carbon Origination Fund (SCOF) contributes significantly to Australia's net zero and interim emission reduction goals by providing high-integrity carbon credits through innovative reforestation projects integrated with sustainable agriculture. The Fund had its first close in August 2024

[1] World Meteorological Organization (2024), State of the Global Climate 2023 (https://wmo.int/publication-series/state-of-global-climate-2023)
[2] At 1.45 ± 0.12 °C above the pre-industrial average
[3] Net Zero Tracker Data Explorer (https://zerotracker.net/)
[4] McKinsey & Company (2022, 25 January), The net-zero transition: What it would cost, what it could bring (https://www.mckinsey.com/capabilities/sustainability/our-insights/the-net-zero-transition-what-it-would-cost-what-it-could-bring)

At Roc Partners, we find ourselves at a unique intersection of stewardship and value creation as we navigate the evolving private markets landscape and the opportunities it brings.

As a private equity firm that engages in both direct investments as a General Partner (GP) and indirect/multi-strategy investments as a Limited Partner (LP), we have the power to directly influence the environmental, social and governance (ESG) integration of our own portfolio, whilst simultaneously contributing to broader industry adoption through engagement and stewardship with GPs in the Australian market and abroad.

> WE HAVE LONG RECOGNISED THAT ESG FACTORS CAN SIGNIFICANTLY IMPACT THE RISK AND RETURN PROFILE OF OUR INVESTMENTS, OFTEN IN WAYS NOT FULLY REFLECTED IN ASSET PRICES

We have long recognised that ESG factors can significantly impact the risk and return profile of our investments, often in ways not fully reflected in asset prices. We believe companies embarking on ESG transformations are poised to command a premium in the market. As such, our role extends beyond investment as we strive to be true partners to our portfolio companies and GPs to drive ESG performance and transition. This presents a rare opportunity where moral imperative aligns with economic incentive.

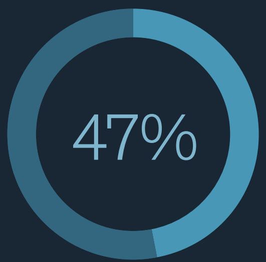
Michael Lukin,
Group Managing Partner

FY24 responsible investment and ESG highlights

90%

FINANCED EMISSIONS COVERAGE FOR MULTI-STRATEGY PORTFOLIO

In response to the recently passed Australian Sustainability Reporting Standards (ASRS) , Roc Partners undertook a significant project to invest in and expand the breadth and accuracy of our financed emissions reporting. We have now estimated financed emissions for 90% of multi-strategy portfolio (GP funds) exposed to institutional capital.[5]



WORKFORCE IS WOMEN

Women make up 47% of Roc Partners' workforce.

UNPRI

2023 TRANSPARENCY REPORT

We completed our first Transparency Report, and achieved 4-star ratings for three of four UNPRI modules.[6]

14 SESSIONS

ESG TRAINING

Our employees collectively attended 14 ESG-related internally and externally facilitated training sessions.

100%

ESG DUE DILIGENCE

Roc Partners completed ESG due diligence on 100% of new deals in FY24.[9][10] We also committed to outsourcing ESG due diligence for all new direct investments to specialist providers, ensuring thorough and expert assessment.

100%

ANNUAL ESG REPORTING

100% of direct portfolio companies completed annual ESG reporting.

47

LP ENGAGEMENTS

Roc Partners responded to 47 ESG-relatedLimited Partner (LP) engagement and reporting requests.

43%

CARBON EMISSIONS MEASUREMENT

43% of direct portfolio[7] companies have completed a carbon baseline assessment for scope 1 and 2 emissions, including third party verification.

100%

ORGANISATION EMISSIONS OFFSET

Roc Partners has measured and offset 100% of our scope 1, 2 and 3 emissions.[8]

93%

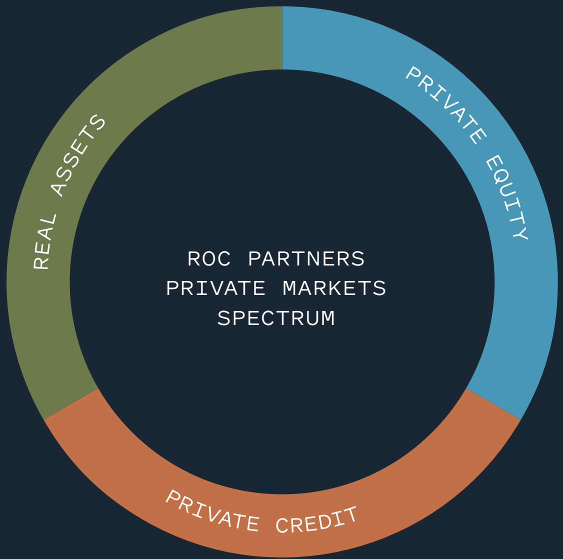
EMPLOYEE ENGAGEMENT

Roc Partners achieved an engagement score of 93% in the FY24 Employee Engagement Survey.

5 Excluding fund-of-fund investments where Roc Partners is not provided data for underlying assets, which is required for Partnership for Carbon Accounting Financials (PCAF) estimates,
6 4 stars achieved in Policy, Governance and Strategy, Direct – Private Equity, and Confidence Building Measures. Roc Partners is actively seeking to improve its score in the Indirect – Private Equity module (acknowledging Roc Partners targeted position as a minority investor within GP funds, with limited influence and control).
7 In this context, Roc Partners defines its direct portfolio as investments where Roc Partners is the investment manager and/or an investor with meaningful influence and/or control. This definition should be applied throughout the Report when referring to direct portfolio and/or direct portfolio companies.
8 Excluding financed emissions.
9 The refers to new portfolio companies (direct), funds, co-investments or secondary interests (collectively, "multi-strategy"), and underlying assets (private credit) only. It does not include follow-on capital for existing investments or continuation vehicles Roc Partners has previously invested in. This excludes bolt-on acquisitions and other investments related to existing portfolio companies within our direct portfolio.
10 ESG due diligence approach varies according to the investment strategy and Roc Partners' ability to influence and control ESG performance post-acquisition.

Roc Partners is a specialist private markets investment manager.

We seek to deliver successful outcomes for our investors, our companies, our team, and community through growth that is positive, sustainable and always forward looking.



MULTI-STRATEGY

(FUND INVESTMENTS, SECONDARY, CO-INVESTMENTS)

GROWTH EQUITY

FOOD AND AGRICULTURE

MID-MARKET CORPORATE LENDING

AGRICULTURAL INFRASTRUCTURE

A$8.5+BN

FUNDS UNDER MANAGEMENT (FUM)[11]

- Manage capital for some of Australia's largest institutions.
- Investment solutions for family offices, foundations, endowments and HNW investors across the world.

600+

INVESTMENTS[12]

Investing globally in funds, secondaries, and co-investments, while focusing locally on direct investments.

60+

EMPLOYEES

- Offices in Sydney, Melbourne, Hong Kong and New York.
- 400+ years of combined alternatives investment experience.

25+

YEARS

Providing investors with access to alternative investment solutions.

[11] As of 30 June 2024;
[12] Number of investments made since inception as of 30 June 2024. Across both Macquarie Group and Roc Partners.

Responsible investment journey

"IN THE PAST YEAR, OUR FIRM HAS MADE REMARKABLE PROGRESS IN RESPONSIBLE INVESTMENT. AS THE AUSTRALIAN MARKET DEVELOPS ITS MATURITY INTEGRATING ESG FACTORS INTO INVESTMENT STRATEGIES, WE ARE PROUD TO HAVE A WELL-ESTABLISHED RESPONSIBLE INVESTMENT APPROACH, WHICH WE CONTINUALLY STRENGTHEN AND EVOLVE IN LINE WITH CHANGING EXPECTATIONS. OUR MOMENTUM NOT ONLY REFLECTS OUR COMMITMENT TO ESG INTEGRATION BUT ALSO UNDERSCORES THAT RESPONSIBLE INVESTMENT ALIGNS WITH SUPERIOR LONG-TERM PERFORMANCE."

Lance Zarb
Managing Partner,
Investment Services

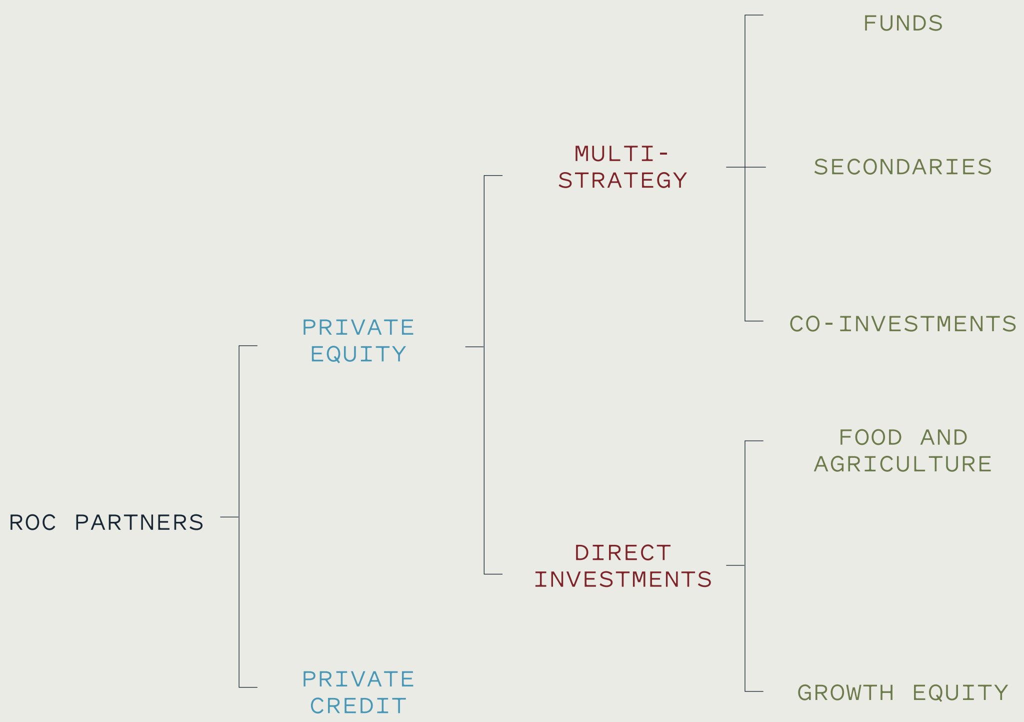
Our approach to responsible investment

ROC PARTNERS uses a Responsible Investment Framework that is underpinned by three key pillars:

- **ESG integration:** Our commitment to responsible investment and value creation is incorporated across all investment strategies.
- **Shared value:** We focus on improving ESG outcomes alongside superior financial results.
- **Transparency:** Through continued adoption of leading ESG frameworks and standards, we enhance disclosure practices and report on progress.

To execute this framework, we implement varied Responsible Investment (RI) approaches, tailored to be appropriate for each of Roc Partners' investment strategies.

ROC PARTNERS RESPONSIBLE INVESTMENT APPLICATION



Improvements to our responsible investment approach

WE ARE continually enhancing our RI approach to keep pace with evolving expectations. Improvements to our RI approach for FY24 include:

UPDATED OUR **RI POLICY**

REFRESHED OUR **MODERN SLAVERY POLICY** AND APPROACH

COMPLETED OUR FIRST **UNPRI** TRANSPARENCY REPORT[13]

COMMITTED TO **OUTSOURCING ESG DUE DILIGENCE** FOR ALL NEW DIRECT INVESTMENTS TO SPECIALIST PROVIDERS

DEVELOPED AN **ESG PERFORMANCE ASSESSMENT FRAMEWORK** TO EVALUATE OUR DIRECT PORTFOLIO’S PERFORMANCE

INCREASED OUR **ENGAGEMENT WITH GPs** ACROSS SEVERAL ESG FACTORS

DEVELOPED A FORMALISED **RI STRATEGY** DOCUMENT ENDORSED BY THE MANAGING PARTNERS

INTRODUCED A **DIGITAL ESG REPORTING PLATFORM** FOR DIRECT INVESTMENTS

DEVELOPED PROCESSES TO **STREAMLINE ESG REPORTING** FOR LPs

[13] Signatories that report a UNPRI Transparency Report during their first reporting year can decide whether to make their Transparency Report publicly available in the Data Portal. In 2023, Roc Partners chose to not to make our report publicly available for our first reporting year, however we provided our Transparency Report to investors and other stakeholders on request.

Our ESG value add process

ESG INTEGRATION is crucial not only for effective risk management but also for enhancing asset performance and value creation. The diagram outlines the various levers Roc Partners uses to generate ESG value within our direct portfolio. These levers are explored in more detail throughout this report.

WORKSTREAM

DIRECT INVESTMENT PORTFOLIO MANAGEMENT - ESG VALUE ADD PROCESS

BAU PROCESS

'Business as usual' ESG processes are consistently integrated throughout the portfolio.

- Board of Directors
- Climate change and emissions
- Cyber security
- Corporate governance
- Diversity and inclusion
- Employee engagement
- Environmental compliance
- ESG action plan and/or strategy
- ESG governance
- ESG Maturity Assessment
- ESG monitoring and reporting
- Health and safety
- Modern slavery

DEVELOPING - CONTEXTUAL APPLICATION

As Roc Partners' and our portfolio companies mature, we have started introducing additional ESG value creation strategies for select businesses, adopting a tailored approach for each company and sector.

- Animal welfare
- Climate risk and scenario analysis
- Community and indigenous engagement
- Climate transition pathways and planning
- ESG targets
- ESG-linked compensation
- Natural capital
- Waste management

ESG integration

Our ESG Playbook for direct investments

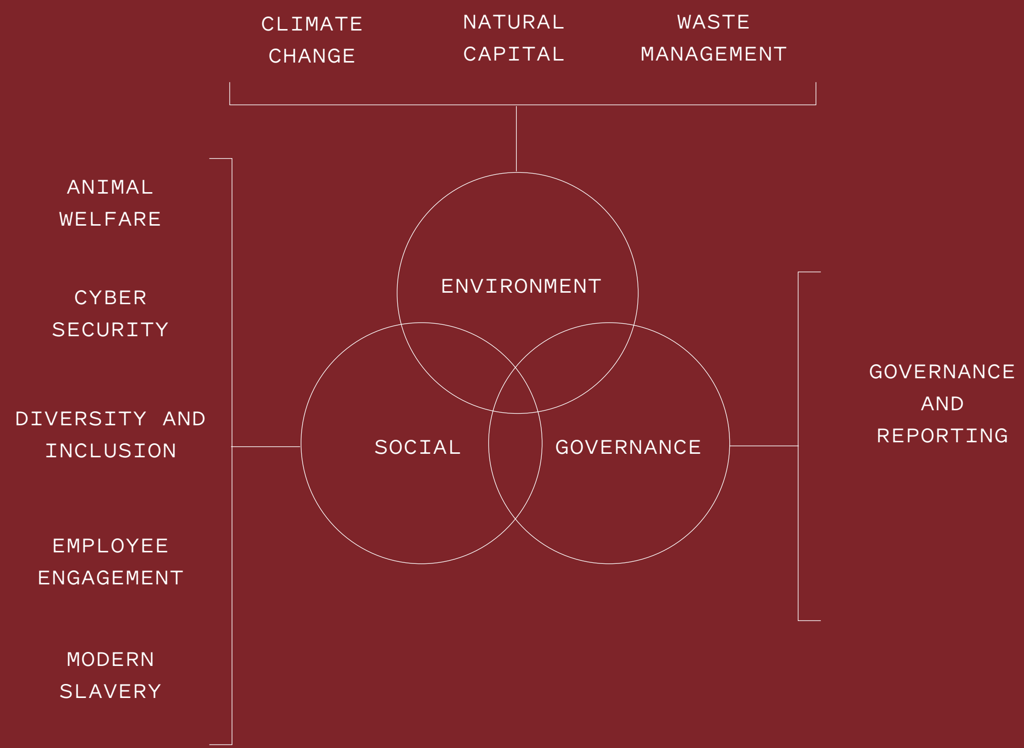
In FY24, Roc Partners began formalising our ESG Playbook, a comprehensive guide that outlines our approach to driving ESG performance across our portfolio companies.

The ESG Playbook is designed to be a practical, scalable tool for our investment team and portfolio companies to integrate ESG throughout the investment lifecycle.

Roc Partners recognises that developing our ESG Playbook is an iterative process. In our first year, we have formalised specific portfolio-wide approaches for climate change, natural capital, cyber security, health and safety, modern slavery and corporate governance. Beyond these, we have identified several other material factors and have worked with portfolio companies to explore various initiatives and projects as illustrated by our portfolio company case studies. These factors include waste management, animal welfare, diversity and inclusion, and employee engagement, and will be the focus of a more formalised, consistent approach as we expand the breadth of our ESG Playbook.

"OUR ESG PLAYBOOK PROVIDES A CONSISTENT APPROACH TO ESG INTEGRATION, WHILST RECOGNISING THAT EACH COMPANY'S ESG JOURNEY IS UNIQUE. THIS TAILORED STRATEGY ALLOWS US TO ADDRESS MATERIAL ESG FACTORS SPECIFIC TO EACH INVESTMENT, FOSTERING INNOVATION, MITIGATING RISKS, AND UNLOCKING NEW GROWTH OPPORTUNITIES. BY EQUIPPING OUR TEAM AND PORTFOLIO COMPANIES WITH THIS GUIDANCE, WE'RE NOT JUST IMPROVING ESG PERFORMANCE - WE'RE ENHANCING OVERALL BUSINESS RESILIENCE AND LONG-TERM VALUE CREATION FOR ALL STAKEHOLDERS."

Samantha Bayes
Vice President,
Responsible Investment



ENVIRONMENT

Climate change

In response to the incoming Australian Sustainability Reporting Standards (ASRS), Roc Partners has engaged with a variety of stakeholders, including advisors, investors, peers and industry groups to understand and prepare for mandatory climate reporting.

Independent of ASRS reporting, we believe that assessing climate risk (especially in the context of our food and agriculture strategy) is fundamentally good investment practice.

OUR ACTIONS AND ACHIEVEMENTS

In FY24, Roc Partners explored a physical climate risk due diligence approach, in partnership with experienced advisors, to more comprehensively identify red flags and material climate risks prior to acquisition.

To date, climate risk assessments have been applied on a case-by-case basis where the responsible investment or deal team have identified elevated climate risk.

Moving forward, Roc Partners is exploring a more systematic approach to accessing granular, actionable data for investment decision making. This approach has not yet been piloted on a transaction.

EXPERT ADVISOR

Roc Partners has engaged an **independent climate change advisor** to provide expert advice on our agriculture portfolio. Having previously served as a member of the Climate Change Authority that advises the Australian Government on responding to climate change, including targets for reducing greenhouse gas emissions.

To date, the advisor has conducted two education sessions for the investment team. In future, we will seek to engage the advisor to:

- Provide continued training and education to the investment team
- Review any third-party climate risk due diligence reports
- Stress test our current investment portfolio and review risks
- Review modelled climate trends/ risks and determine how investment decision making and investment strategy.

PORTFOLIO PERFORMANCE

43%

CARBON EMISSIONS ASSESSMENT

of direct portfolio companies have completed a baseline carbon assessment for scope 1 and 2 emissions, including third-party verification.

An additional 14% of direct portfolio companies have engaged with, or are currently undertaking, a baseline carbon assessment with an external consultant.

ENVIRONMENT
CASE STUDIES

Climate change

STONE AXE EMISSIONS AND METHANE MITIGATION

In FY24, Stone Axe Pastoral Company (SAX) undertook a carbon baseline and product carbon footprint assessment (excluding emissions and removals from land use and direct land use change).

The assessment revealed 86% of total scope 1 and 2 emissions contributions were attributed to livestock enteric methane. The scope 3 emissions profile was relatively low due to the low level of purchased inputs to the business.

As part of its carbon reduction efforts, SAX installed solar panels on two SAX-owned properties, as well as a solar pump on a leased property. SAX is seeking to expand this program with further plans to install solar, where feasible, in FY25.

SAX ran a trial of the methane mitigating product, SeaFeed produced by Sea Forest at Semini Feedlot. The trial included 200 animals (100 with feed including the product and 100 without). The purpose of the trial was to observe any subsequent changes (if any) to productivity (efficiency of cattle converting feed into body mass), animal health and product quality, which complement the established methane benefit of the product. Trial results detected no evidence of negative impact on quality, however productivity was reduced. Management is discussing appropriate next steps and is tracking the establishment of an Emissions Reduction Fund (ERF) methodology[14] that will allow Australian Carbon Credit Units (ACCUs) to be generated from feeding the product to animals.

VIRIDIOS INVESTMENT IN AUSTRALIAN CLIMATE CHANGE CONSULTANCY

In September 2023, Viridios Group acquired a majority stake in climate change consultancy, Pangolin Associates. Pangolin Associates helps organisations reduce environmental impacts and remain competitive in a decarbonising economy.

The investment aligns well with findings from Viridios' Carbon Markets Report[15], which reveals that while a majority of environmental and sustainability professionals[16] (69%) have an emissions reduction target, less than half (43%) have a formal net zero target.

"THE RESEARCH IS CLEAR: AUSTRALIAN BUSINESSES STILL HAVE A LONG WAY TO GO IF THEY ARE TO ACHIEVE THEIR NET ZERO TARGETS, AND SERVICES LIKE THOSE OFFERED BY PANGOLIN WILL BE VITAL."

EDDIE LISTORTI - CEO VIRIDIOS GROUP[17]

[14] An Emissions Reduction Fund (ERF) methodology is a set of rules and guidelines developed under the Australian Government's ERF to quantify and verify greenhouse gas emission reductions from specific activities or projects which can lead to the development of Australian Carbon Credit Units (ACCUs).
[15] Viridios Capital (2023, 13 September), Carbon Market Report – Australia's First Carbon Professional Survey (https://viridioscapital.com/carbon-market-report-australias-first-carbon-professionals-survey/)
[16] Refers to environmental and sustainability professionals, whom have remit over their company's sustainability, ESG, or carbon strategy, or related services.
[17] Viridios Capital (2023, 19 September), Viridios announces investment in Australian climate change consultancy (https://viridioscapital.com/viridios-announces-investment-in-australian-climate-change-consultancy/)

ENVIRONMENT

Natural capital

There is a clear link between economic activity and natural ecosystems. An estimated 55% of global GDP – equivalent to about US$58 trillion – is moderately or highly dependent on nature[18]. Like climate change, the degradation of nature will drive significant changes within economies and businesses, as organisations manage increasingly scarce natural resources and associated supply and cost challenges. Natural capital and nature-based solutions are quickly becoming a strategic priority and critical to the transition to a low carbon future.

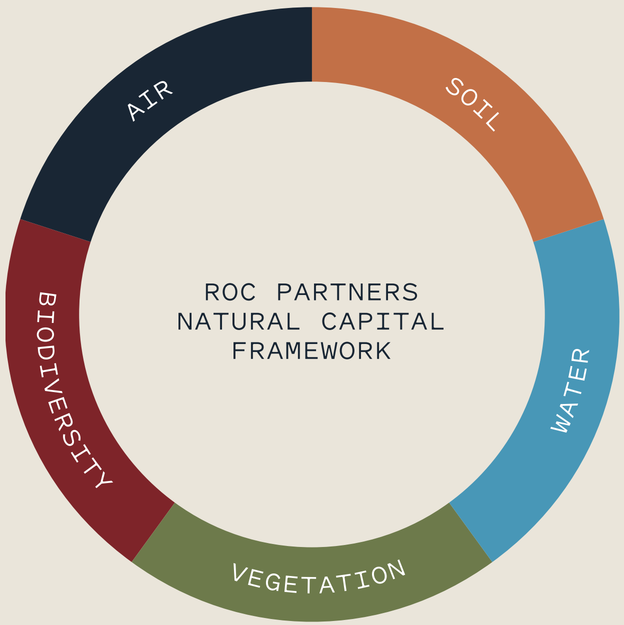
OUR ACTIONS AND ACHIEVEMENTS

In FY24, Roc Partners set out to define what natural capital means in the context of our food and agriculture portfolio.

The agriculture sector presents an unparallelled opportunity to adopt nature-based solutions to drive decarbonisation efforts. Natural capital investments can deliver both abatement and sequestration of emissions, and land use plays a critical role in delivering national net zero targets.

As part of this process, we mapped the Taskforce on Nature-related Financial Disclosures (TNFD) framework indicators against our internal natural capital framework to form the basis of nature reporting in the coming years.

We aim to continue collaborating with our agriculture portfolio companies to determine which elements of natural capital are most material to their businesses. We will assess what, if any, reporting capabilities exist to capture a 'natural capital baseline' and performance improvement. Our intention is to identify what initiatives can protect natural capital and improve productivity on farm, as well as evaluate capital and operational expenditure requirements to meet these objectives.



[18] PWC (2023, 19 April) Managing nature risks: From understanding to action (https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf)

ENVIRONMENT
CASE STUDIES

Natural capital

ULUPNA PASTORAL COMPANY NATURAL CAPITAL STRATEGY AND BIODIVERSE CROP COVER

Ulupna Pastoral Company (UPC) operates over 20,000 acres of irrigated land across northern Victoria and southern NSW. UPC is the first Roc Partners portfolio company that has developed a formal natural capital strategy, aligned with Roc Partners' natural capital framework and the TNFD.

UPC applied their natural capital strategy in the summer of 2023/24. Biodiverse cover crops were planted in small test paddock areas to assess potential impact on the following seasons crop growth.

UPC has completed visual observations of the 2024 winter wheat crop. Progress to-date includes biodiverse cover crop paddocks displaying improved crop growth rate and plant health, while the non-cover crop paddocks show comparatively lower growth rate and health.

FIVEFIFTY5 SUPERFOODS AND REGENERATIVE FARMING

Specialty stone and pome fruit producer, FiveFifty5 Superfoods (555 Superfoods) has always been committed to trialling varied regenerative farming practices.

In FY24, 555 Superfoods focused on input efficiency to maximise the health and performance of the orchard, while managing the operations' impact on the environment.

The company was able to increase the annual harvest (tonnes of product) using materially less diesel, agricultural chemical and fertigation product. 555 Superfoods' effective management of inputs reduced operational impact on air, soil and water, on both an absolute and intensity basis.

LACHLAN RIVER ALMONDS ENHANCING POLLINATOR HABITATS

To support and enhance the health of pollinators, Lachlan River Almonds (LRA) has introduced designated areas planted with specially selected pollinator mixes across its farms. These areas are strategically established to provide a rich and diverse habitat for bees during critical pollination periods. By cultivating a variety of flowering plants, LRA ensures that bees have access to essential nutrition, which boosts their health and productivity, improves the overall efficiency of pollination, fosters a more resilient ecosystem and directly benefits crop yields.

“WHILE NATURAL CAPITAL MANAGEMENT HAS ALWAYS BEEN INHERENT IN THE WAY WE MANAGE LAND AND OUR ASSETS, WE HAVE SPENT THE PAST 12 MONTHS FOCUSED ON DEFINING AND FORMALISING OUR STRATEGY. WE RECOGNISE THAT NATURE IS FOUNDATIONAL TO OUR FOOD AND AGRICULTURE STRATEGY, AND WE ARE COMMITTED TO PRESERVING THE VALUE OF NATURE WITHIN OUR PORTFOLIO AND CONTRIBUTING TO A MORE SUSTAINABLE AGRICULTURAL SECTOR.”

Brad Mytton
Managing Partner,
Food and Agriculture

ENVIRONMENT

Waste management

Australia's National Waste Policy Action Plan, initiated in 2019, outlines strategic targets and actions to guide the country's waste management efforts through 2030 and beyond[19]. Key objectives include achieving an 80% recovery rate from all waste streams, increasing the use of recycled content, phasing out problematic plastics by 2025, and halving organic waste sent to landfills.

Globally, nearly 40% of food produced is never eaten and instead ends up in landfill, incinerators, and wastewater[20]. The costs of food loss and waste (FLW) are financial, ecological, and societal. Current estimates indicate that FLW accounts for 8-10% of all global greenhouse gas (GHG) emissions[21].

Case studies

PLASTIC WASTE MANAGEMENT AT AUSTRALIA'S OYSTER COAST

Australia's Oyster Coast (AOC) introduced uniform bulk bin receptacles (large containers used for storing and transporting oysters) to **eliminate one-use polythene plastic packaging bags** when processing and transporting oysters. This action improved both the operational efficiency and environmental sustainability of AOC's business, including:

- A reduction in manual labour on farm and in factory
- Optimised logistic efficiencies with additional pallet space per trip
- Improved oyster health due to reduced handling and faster time to temperature control
- Eliminated use of an estimated 24,000 poly bags per financial year.

FLAVORITE FOOD WASTE MANAGEMENT

Australia's largest glasshouse producer of fresh fruit and vegetables Flavorite has committed to a sponsorship agreement with Frankie's Community Kitchen, an organisation with a mission to simultaneously save fresh produce from landfill and provide nourishing meals for people in need. To support upcoming projects, Flavorite has made financial contributions, supported employee volunteering, donated 350kg of fresh produce in FY24, and is committed to ongoing produce donations.

[19] National Waste Policy Action Plan (https://www.dcceew.gov.au/environment/protection/waste/publications/national-waste-policy-action-plan)
[20] The Consumer Goods Forum, (2024, 13 June) Driving Emissions Down and Profit Up by Reducing Food Waste: Measuring and addressing the true value of food waste (https://www.theconsumergoodsforum.com/wp-content/uploads/2024/06/Driving-Emissions-Down-Profit-Up-By-Reducing-Food-Waste-FWReport2024-1.pdf)
[21] UN Environment Programme, (2021, 4 March) UNEP Food Waste Index Report 2021 (https://www.unep.org/resources/report/unep-food-waste-index-report-2021#:~:text=Estimates%20suggest%20that%208%2D10,both%20people%20and%20the%20planet.)

SOCIAL

Animal welfare

Australian retailers Coles and Woolworths have clearly signalled their commitment to animal welfare through their alignment with the Farm Animal Welfare Committee's (FAWC 2009) 'Five Freedoms of Animal Welfare'.

Additionally, both retailers have committed to phasing out caged eggs from their supply chain by 2025. This movement is driven by increasing consumer demand for ethically produced eggs, heightened awareness of animal welfare issues, as well as the endorsement of national Poultry Standards and Guidelines which aim to phase out barren battery cages by 2036.

As consumers become increasingly concerned about the treatment of farm animals, companies that demonstrate a commitment to animal welfare are better positioned to benefit from increased consumer trust and willingness to pay, as well as productivity and operational efficiencies, including reduced animal mortality rates, better feed conversion ratios, higher production, and enhanced product quality.

Case studies

PACE FARMS TRANSITIONS TO BARN AND FREE RANGE EGGS

As Australia's second largest vertically integrated egg supplier, Pace Farm is responsible for more than three million birds. As part of Pace Farm's commitment to animal welfare, the business holds a voluntary certification with Egg Standards Australia, including annual audits over bird welfare and safety.

Additionally, Roc Partners' investment in Pace Farm seeks to accelerate the transition towards sustainable, barn and free range production methods and increase supply of less carbon-intensive sources of protein.

In FY24, Pace Farm has increased barn and free-range bird capacity by an additional 350,000 birds.

STONE AXE'S COMMITMENT TO CATTLE WELFARE AND SAFETY

In FY24, SAX formalised their animal welfare policy. SAX is committed to ensuring the well-being and humane treatment of its cattle. As part of this commitment, SAX ensured:

- No feedlotted cattle received prophylactic antibiotics[22]. Avoiding prophylactic antibiotics in animal agriculture encourages better animal husbandry practices by necessitating improvements in hygiene, biosecurity, and vaccination strategies to prevent disease without relying on antibiotics. This shift requires farms to adopt more sustainable and health-focused management practices, such as optimising nutrition, enhancing living conditions, and implementing stricter disease prevention measures, which collectively contribute to better overall animal welfare.
- 100% of SAX feedlotted cattle were managed in National Feedlot Accreditation Scheme feedlots (or equivalent voluntary accreditation).

350,000

ADDITIONAL BARN AND FREE-RANGE CAPACITY

100%

NATIONAL FEEDLOT ACCREDITATION SCHEME

of SAX feedlotted cattle were managed in National Feedlot Accreditation Scheme feedlots (or equivalent voluntary accreditation).

[22] Prophylactic antibiotics are antibiotics that are administered to prevent an infection rather than to treat an existing one.

SOCIAL

Cyber security

The Australian Securities and Investments Commission's (ASIC) Spotlight on Cyber report (November 2023)[23] exposed gaps in cyber security risk management and critical cyber capabilities within nearly 700 public companies, large proprietary companies and other entities. The report found:

- 58% have limited or no capability to protect confidential information adequately
- 33% do not have a cyber incident response plan
- 20% have not adopted a cyber security standard
- 44% of respondents do not manage third-party or supply chain risk.

ASIC has been clear that it expects directors to ensure their organisation's risk management framework adequately addresses cyber security risk, and that controls are implemented to protect key assets and enhance cyber resilience.

OUR ACTIONS AND ACHIEVEMENTS

Roc Partners has been focused on developing a cyber security approach in partnership with a third-party advisor to undertake cyber security diagnostics across our direct investment portfolio. We have adopted the Cybersecurity Maturity Model Certification Maturity Level 1 (CMMC ML 1) as a baseline for all portfolio companies, with ambitions for all direct portfolio companies to meet this standard and achieve higher maturity levels (2 -5), where appropriate.

PORTFOLIO PERFORMANCE

- Four direct portfolio companies completed cyber diagnostics against the CMMC framework.
- Two direct portfolio companies have engaged a third-party advisor to conduct a Cyber Intelligence Program (CIP). This involves a continuous process of monitoring the threat landscape, integrating findings into security strategies, and adapting to evolving threats to improve incident response and overall resilience.
- Two direct portfolio companies undertook a cyber security incident simulation exercise with a third-party advisor. The purpose of a cyber incident simulation exercise is to test and improve an organisation's readiness to respond to real-world cyberattacks by mimicking realistic threat scenarios.
- No direct portfolio companies reported a notifiable cyber incident.

PORTFOLIO PERFORMANCE

4

CYBER SECURITY DIAGNOSTICS

Direct portfolio companies have completed cyber diagnostics against the CMMC framework.

2

CYBER INTELLIGENCE PROGRAM

Direct portfolio companies have engaged a third-party advisor to conduct a Cyber Intelligence Program (CIP).

2

CYBER SECURITY INCIDENT SIMULATION

Direct portfolio companies undertook a cyber security incident simulation exercise with a third-party advisor.

0

NOTIFIABLE CYBER INCIDENT

No direct portfolio companies reported a notifiable cyber incident.

[23] Australian Securities and Investments Commission (2023, November), Spotlight on cyber: Findings and insights from the cyber pulse survey 2023 (https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-776-spotlight-on-cyber-findings-and-insights-from-the-cyber-pulse-survey-2023/)

SOCIAL
CASE STUDIES

Cyber security

HEARTWEST'S CYBER SECURITY MATURITY JOURNEY

Cardiology service provider HeartWest conducted a baseline diagnostic of its cyber security in line with the CMMC framework. The diagnostic resulted in board endorsement of an ongoing CIP, which has already identified gaps and remediation actions required to meet CMMC ML 1.

The CIP enhances HeartWest's ability to safeguard sensitive data, such as personal health records, from breaches and unauthorised access. This program ensures compliance with regulations, protects reputation, and fosters a culture of security through staff education. Additionally, it enables a rapid response to threats, cost-effectively helping to mitigate the potentially high costs of reactive management of data breaches.

HeartWest

SOCIAL

Diversity and inclusion

We recognise there is room for improvement on diversity and inclusion within our portfolio and are committed to making it a priority as we formalise our ESG playbook.

As asset managers and board directors for companies in our direct portfolio, we recognise the challenges, risks and opportunities businesses face are more varied – and complex – than ever. As companies move to respond to evolving stakeholder expectations and regulatory requirements, the importance of diversity cannot be overstated.

Organisations should seek to increase their people, skills and perspectives, to identify blind spots, challenge decision making and ask the right questions, to navigate and embrace their changing operating environments.

Increasing gender diversity within our portfolio companies, particularly in key senior leadership roles as well as across the broader workforce, remains a priority focus area for our investment team.

PORTFOLIO PERFORMANCE

50%

OF DIRECT PORTFOLIO COMPANIES HAVE FEMALE REPRESENTATION AT THE BOARD LEVEL.

57%

OF DIRECT PORTFOLIO COMPANIES HAVE FEMALE REPRESENTATION AT THE EXECUTIVE LEVEL.

Case studies

Story House Early Learning

RECRUITING FOR DIVERSITY AT STORY HOUSE EARLY LEARNING

Story House Early Learning (SHEL) has integrated technology to enhance inclusivity and streamline talent acquisition by developing the StoryUp app. This artificial intelligence-powered mobile application offers pre-employment interview coaching, providing candidates with guidance on grammar, communication skills, and insights into the organisation. The app is particularly beneficial for candidates from diverse cultural backgrounds, helping to overcome language barriers and improve their confidence during the recruitment process. This initiative reflects SHEL's commitment to innovation, inclusivity, and excellence in talent acquisition.

SOCIAL

Employee engagement

As demand for workers slows and labour markets cool, organisations across Australia are experiencing increased staff retention.

However, research by McKinsey[24] suggests there may be hidden costs associated with people who are not engaged at work but feel unable to leave their role. FY24 highlighted the workplace phenomenon of 'quiet quitting', where employees only do the bare minimum required by their job, avoiding extra effort or engagement beyond their core responsibilities.

With this backdrop, employee engagement should be quickly moving up management teams' and directors' priority lists. Importantly, businesses must first understand what effective employee engagement means and develop a bespoke approach for their workforce.

Throughout Roc Partners' hold period, we are committed to improving employee engagement as a key mechanism for improved productivity, increased retention, enhanced innovation and overall employee commitment to the success of the organisation.

PORTFOLIO PERFORMANCE

64%

OF DIRECT PORTFOLIO COMPANIES COMPLETED AN ANNUAL EMPLOYEE SURVEY IN FY24.

59%

OF EMPLOYEES (ON AVERAGE) WITHIN DIRECT PORTFOLIO COMPANIES RESPONDED TO THEIR ORGANISATIONS EMPLOYEE SURVEY.

Case studies

NEW CHIEF PEOPLE AND SAFETY OFFICER AND EMPLOYEE ASSISTANCE PROGRAM AT PACE FARM

Pace Farm is supported by over 500 employees across full-time, part-time, casual and seasonal roles. Central to Pace Farm's success as a business is the quality of its people.

In FY24, Pace Farm employed a new Chief People and Safety Officer to continue driving employee engagement and wellbeing initiatives throughout the organisation. This included:

- Introducing an employee assistance program (EAP), supported by Converge International. This Program has proven to be vital for the business, particularly during challenging times (such as the Avian Influenza outbreak) that can lead to increased employee stress and anxiety. The EAP provides essential support services, including counselling, stress management resources, and crisis intervention. By addressing these psychological needs, the EAP enhances employee wellbeing and fosters a more resilient and focused workforce. This support is crucial for maintaining morale and productivity, ultimately contributing to overall business stability and success.
- Implementing an inaugural employee engagement survey. In addition to continuing employee engagement surveys in FY25, Pace Farm will also issue an employee wellness. survey to engage with employees on psychological safety and wellbeing
- Formalising a whistleblower policy.

pace farm
the enjoyable egg

[24] McKinsey & Company (2024, 28 February), The hidden costs of quiet quitting, quantified (https://www.mckinsey.com/uk/our-insights/the-mckinsey-uk-blog/the-hidden-costs-of-quiet-quitting-quantified)

SOCIAL

Health and safety

Australian work health and safety regulations have been in place for decades, and have long been a focus for management teams, boards, regulators and investors as one of the most basic responsibilities any company has towards its employees.

The correlation between strong health and safety performance and business outcomes is well established, and is supported by mature regulations and familiar reporting methodologies.

In comparison to 'newer' ESG factors which have evolved as more recent additions to the ESG landscape, health and safety is an ESG factor that our portfolio companies consider business as usual. Whilst health and safety is not exempt from continuous improvement, for example changes to the Work Health and Safety Act 2011 to include stronger obligation to manage employees' psychosocial safety, it is well embedded into business operations and businesses generally perform well.

OUR ACTIONS AND ACHIEVEMENTS

Roc Partners implements a tailored and industry-specific approach to health and safety (H&S) management for each of our portfolio companies, recognising the diverse nature and needs of their operations. We conduct various H&S projects and initiatives to increase the robustness of health and safety practices and performance within our portfolio, including developing and/or improving H&S policies and frameworks, establishing clear roles and responsibilities for H&S throughout the organisation, and developing more comprehensive risk assessment processes.
For some companies within the portfolio, we conduct independent third-party H&S audits and reviews to gain an objective perspective on their current practices drive continuous improvement throughout the organisation. Additionally, we ensure that H&S metrics are collected across all portfolio companies and reported to the Board, enabling consistent oversight and strategic decision-making.

Case studies

SKYLINE BUILDING GROUP
HEALTH AND SAFETY REVIEW

In August 2023, Roc Partners acquired a majority stake in Skyline Building Group (SBG), which provides reinstatement and restoration services for properties after damage from insurable events.

Given the nature of SBG's work, health and safety was a key focus of Roc Partners' ESG due diligence process. Findings from the due diligence reinforced health and safety was already foundational to the business, however further improvements focused on formalising existing procedures, were integrated into the 100-day plan. Recommendations included:

- Formalising health and safety reporting at the board level
- Conducting an independent review of current health and safety systems and processes to ensure they are appropriate for the scale and growth of the business
- Implementing best practice recommendations (where appropriate) to improve the breadth of health and safety risk management.

SOCIAL

Modern slavery

The Australian Government conducted a statutory review of the Modern Slavery Act 2018 (Cth)[25] throughout FY23, which sought to answer three questions.

1. Can a law such as the Modern Slavery Act be effective in combating modern slavery?
2. Could the Act be more effective if changes were made to how it is framed and administered?
3. Is the law being taken seriously?

The ultimate purpose of the Modern Slavery Act is to make a difference in combatting modern slavery. The widely expressed view in this review was that there is no hard evidence that the Act has caused meaningful change for people living in conditions of modern slavery. As such, the report made 30 recommendations for improvement. The most critical of these recommendations proposed:

- The introduction of a positive requirement to demonstrate due diligence in practice and to identify and effectively manage modern slavery risks
- Reducing the reporting threshold to an annual consolidated revenue of $50 million, capturing many new entities
- The introduction of new mandatory reporting criteria, including identifying modern slavery incidents, grievance mechanisms and internal and external consultation.

In November 2023, the Government also introduced a bill to establish Australia's first federal Anti-Slavery Commissioner.

ROC PARTNERS APPROACH

Shortly after the recommendations were published, Roc Partners developed and piloted a four-stage modern slavery approach with direct portfolio companies to better identify, manage and mitigate modern slavery risk throughout the portfolio.

PORTFOLIO PERFORMANCE

2

MODERN SLAVERY APPROACH

Direct portfolio companies piloted and implemented a modern slavery risk management approach in FY24.

2

EDUCATION WORKSHOPS

Additional education workshops were conducted for companies in our direct and multi-strategy portfolios.

FOUR STAGE MODERN SLAVERY APPROACH

COMMITMENT TO ADDRESSING MODERN SLAVERY — RISK IDENTIFICATION AND ASSESSMENT — RISK MITIGATION — MONITORING AND REPORTING

[25] Professor John McMillan, AO, (2023, 25 May) Report of the statutory review of the Modern Slavery Act 2018 (Cth): The first three years (https://www.ag.gov.au/crime/publications/report-statutory-review-modern-slavery-act-2018-cth)

SOCIAL
CASE STUDIES

Modern slavery

KELLY TILLAGE'S MODERN SLAVERY RISK MANAGEMENT APPROACH

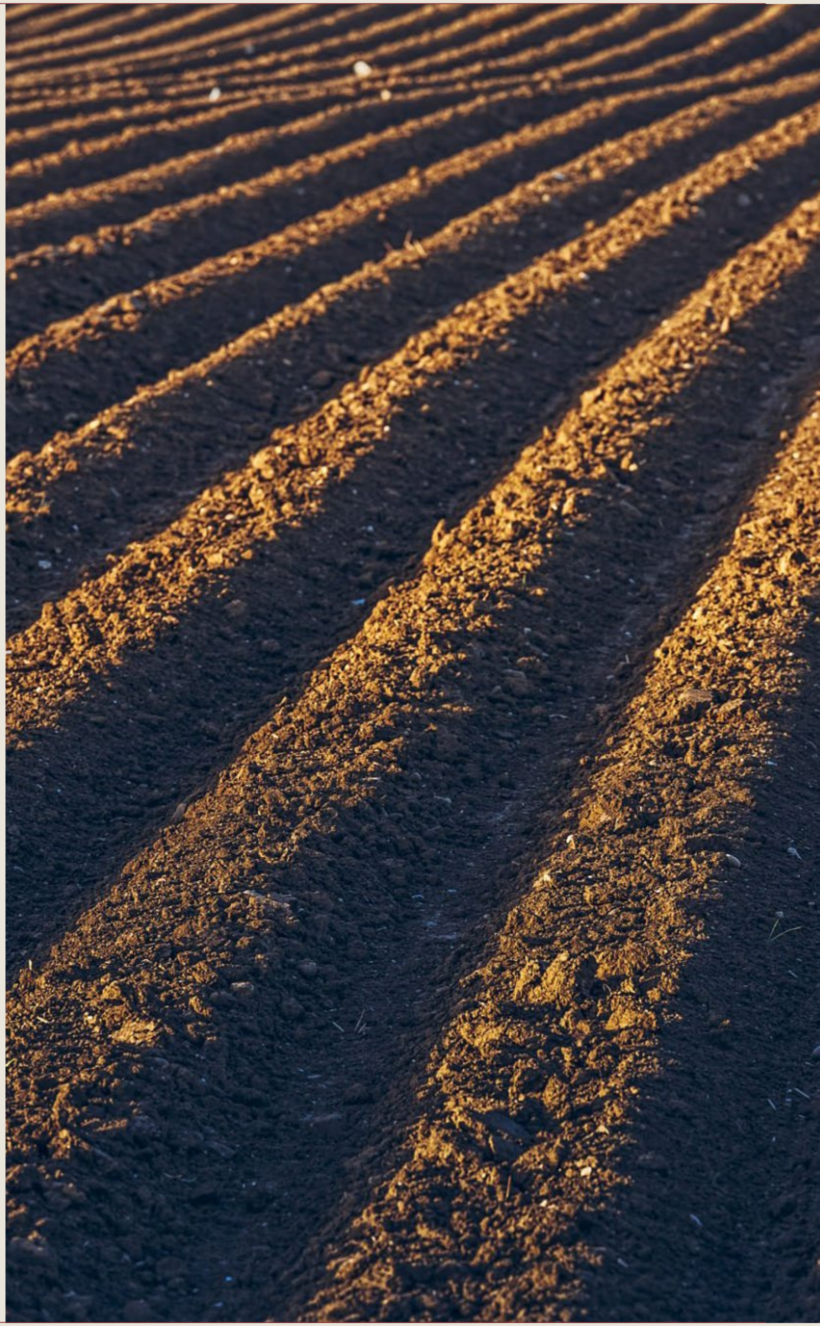
Building on foundational work completed in FY23, Kelly Tillage has significantly matured its approach to modern slavery risk management in FY24.

To assist in identifying and assessing modern slavery risks, Kelly Tillage has:

- Recorded modern slavery on the company risk register, reviewed regularly at management level
- Integrated ethical expectations, including respect for human rights and a zero-tolerance approach to modern slavery, into the organisation's Code of Conduct
- Completed an annual risk assessment to identify potential modern slavery risks in manufacturing practices and business operations
- Introduced training programs for key staff to equip them with the skills to recognise and address modern slavery risks.

To assist in mitigating modern slavery risk, Kelly Tillage has:

- Conducted desktop audits of existing business partners and in person assessment of new suppliers to assess likely risk of non compliance with labour laws and human rights standards
- Developed and published a whistleblower policy and procedure to allow safe reporting of potential modern slavery instances
- Enhanced transparency in supplier onboarding processes to prevent bonded or forced labour
- Incorporated anti-slavery clauses in contracts with business partners and suppliers.



GOVERNANCE

Governance and reporting

The role of directors and company boards is evolving as the business world becomes more complex. The demands on directors have significantly increased over the past few decades, with modern directors facing rigorous statutory obligations and high expectations.

Developments in the ESG landscape, including artificial intelligence, cyber threats and mandatory climate reporting require directors to exercise judgment and continuous curiosity to understand and manage the diversity of risks that impact business operations and ongoing profitability.

The Australian Institute of Company Directors' (AICD) Direct Sentiment Report[26] observed:

- 43% of directors selected cyber security as a top issue
- 31% of directors agreed the complexity of reporting requirements (such as scope 3 emissions, scenario analysis or transition planning) was a top concern – followed by the cost of compliance (24%) and a lack of resources and internal capabilities (20%).

OUR ACTIONS AND ACHIEVEMENTS

Throughout FY24, Roc Partners has invested in training and upskilling our investment and leadership team, many of whom are directors on our portfolio company boards, in ESG risks to ensure our portfolio and own business is resilient to evolving ESG risks and opportunities.

To supplement this, Roc Partners has developed corporate and ESG governance expectations for direct portfolio companies, including:

- Establishing corporate governance policies relevant to their business and sector (e.g. whistleblower policy)
- Assigning ESG responsibility and oversight to appropriate personnel
- Regularly tabling ESG topics for discussion in board meetings and business strategy sessions
- Developing and implementing an ESG policy and/or strategy
- Participating in Roc Partners annual ESG reporting program.

PORTFOLIO PERFORMANCE

100%

BOARD AND REPORTING

of direct portfolio companies have a formal board of directors and reporting program.

100%

ANNUAL ESG REPORTING

of direct portfolio companies completed annual ESG reporting.

[26] Australian Institute of Company Directors (2024, April) Director Sentiment Index Survey 1st Half 2024 (https://www.aicd.com.au/content/dam/aicd/pdf/news-media/research/2024/dsi-1h-24-web.pdf)

GOVERNANCE
CASE STUDIES

Governance and reporting

COMPANY SECRETARY APPOINTMENTS IN DIRECT PORTFOLIO COMPANIES

Working with both the board and management, the Company Secretary provides specialist governance advice, administers the affairs of the company and supports the board's decision-making processes.

Roc Partners has engaged a specialist advisor to act as a Company Secretary for several of Roc Partners direct portfolio companies.

"AS THE COMPANY SECRETARY OF FOUR OF ROC PARTNERS' PORTFOLIO COMPANIES, I ACT AS THE CHIEF GOVERNANCE ADVISOR, ENSURING THAT THE BOARD OF DIRECTORS COMPLY WITH LEGAL OBLIGATIONS AND BEST PRACTICES. THIS INCLUDES PREPARING AND MAINTAINING ACCURATE MEETING MINUTES, COORDINATING BOARD AGENDAS, AND ADVISING ON GOVERNANCE MATTERS, STANDARDS OF TRANSPARENCY AND ACCOUNTABILITY. OVER TIME, AS OUR PORTFOLIO COMPANIES GROW AND EVOLVE UNDER OUR OWNERSHIP, WE CONTINUALLY ADAPT AND ENHANCE OUR GOVERNANCE PROCESSES, INCLUDING INTEGRATION OF ESG. INCREASINGLY, OUR BOARD MEMBERS ARE ACTIVELY DEEPENING THEIR ENGAGEMENT WITH VARIOUS ESG FACTORS, ENHANCING THEIR KNOWLEDGE, AND INTEGRATING THEM INTO DECISION-MAKING PROCESSES. "

LOUISE BROWNE - ROC PARTNERS OPERATING PARTNER, CORPORATE GOVERNANCE SPECIALIST

Multi-strategy investments

Roc Partners has a comprehensive approach to integrating ESG into investment strategies in which we have a controlling interest, such as direct investments.

For our multi-strategy portfolio, we can be limited in our ability to integrate ESG considerations in full, due to some or all of the following factors:

- The type of investment (funds, secondaries, co-investments)
- The investment structure
- The ownership interests
- The terms of the investment
- Relationships with key stakeholders
- The materiality of an investment or components of an investment.

OPPORTUNITIES FOR INFLUENCE AND CONTROL

In instances where we have less control, such as in multi-strategy and private credit investments, we adopt an engagement approach to integrate ESG considerations into our investment decisions and monitoring, where possible.

SCREENING AND DUE DILIGENCE

Roc Partners has the most influence and control within multi-strategy investments during the screening and due diligence phase of the investment lifecycle. As such, we prioritise ESG integration when we are assessing and selecting a GP. This includes reviewing their responsible investment processes, policy, track record and ESG reporting (as available).

STEWARDSHIP AND ENGAGEMENT

Where reasonable and practical, we focus stewardship and engagement activities on GPs (and underlying assets if appropriate) who are nascent on their ESG journey.

OUTSOURCING ESG DUE DILIGENCE

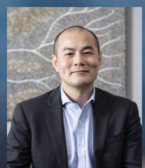
In FY24, we started investigating whether to apply a tailored outsourced ESG due diligence approach for multi-strategy investments to increase the breadth and rigour of our due diligence process and dedicate further internal resources to engagement and stewardship. We are in the process of trialling different expert providers for this purpose.

ENGAGING ON MODERN SLAVERY

In FY24, Roc Partners acquired a minority secondary stake in a large agricultural company. Findings from the ESG due diligence, in tandem with engagement from Roc Partners' LPs, revealed the business had not yet considered the implications of modern slavery risk and associated reporting obligations.

As part of Roc Partners' stewardship approach, the Responsible Investment team engaged with the company to facilitate a modern slavery education workshop with senior executives and recommend a road map for performance improvement.

"AS A LIMITED PARTNER, WE RECOGNISE THE UNIQUE CHALLENGES IN MANAGING ESG INTEGRATION GIVEN OUR LIMITED INFLUENCE AND CONTROL. HOWEVER, WE FIRMLY BELIEVE THAT OUR COMMITMENT TO RESPONSIBLE INVESTMENT EXTENDS BEYOND DIRECT CONTROL AND WE ARE COMMITTED TO PARTNERING AND ACTIVELY ENGAGING WITH GENERAL PARTNERS WHO SHARE OUR VISION OF INTEGRATING ESG CONSIDERATIONS AND IMPROVING PERFORMANCE ACROSS THEIR PORTFOLIOS. BY ALIGNING OURSELVES WITH FORWARD-THINKING GPS, WE'RE NOT ONLY MITIGATING RISKS BUT ALSO UNLOCKING VALUE CREATION OPPORTUNITIES THAT ARISE FROM ROBUST ESG PRACTICES."



Frewen Lam
Managing Partner,
Multi-Strategy

Private credit

Private Credit is a newer investment strategy at Roc Partners, with the first fund launching in 2022.

Similar to our multi-strategy investments we have less influence and control over our private credit investments.

Within our private credit strategy, our key focus for ESG integration includes thorough ESG due diligence and engagement with sponsors[27].

By analysing and integrating ESG factors within our credit investment decisions, we identify potential ESG-related risks which may impact borrower performance. Given ESG risks are akin to all other business risks, a company's ability to identify and manage ESG often demonstrates the organisation's broader ability to manage material risks, which can lower volatility and deliver better long-term viability, reducing default risk. As such, Roc Partners' pre-investment due diligence and engagement is critical to identify potentially credit-relevant ESG issues that may occur over the life of the investment.

We seek to partner with high quality GPs and sponsors, which maintain robust ESG frameworks and processes, and often have dedicated ESG teams and resources to thoroughly assess and monitor ESG risks and opportunities in their investments.

The Roc Private Credit Fund targets investments in stable, non-cyclical industries as well as sectors with strong ESG credentials. The Fund has made several investments that have exposure to key sustainability themes, including:

- Education
- Healthcare services and distributors
- Healthcare and fertility.

"OUR SPONSORS AND COUNTERPARTIES CONSISTENTLY COMMEND ROC PARTNERS ON OUR ROBUST AND MATURE APPROACH TO ESG INTEGRATION. NOTABLY, ONE OF OUR HIGH-NET-WORTH CLIENTS HAS INCLUDED THE ROC PRIVATE CREDIT FUND IN THEIR RESPONSIBLE INVESTMENT PORTFOLIO."

Bruce Plasto
Head of Private Credit

[27] In the context of private credit, the term "sponsor" typically refers to a private equity firm or general partner (GP) that is responsible for managing a portfolio of investments, usually in private companies. The sponsor is often the entity that raises capital from investors (limited partners, or LPs) and deploys it to finance acquisitions or growth strategies in companies.

JOINT VENTURE

Silva Capital

Silva Capital is a joint venture asset manager between Roc Partners and C6 Investment Management, specialising in the origination and management of high-integrity Australian Carbon Credit Units (ACCUs).

Silva Capital aims to develop large-scale carbon sequestration projects by reforesting cleared areas while ensuring the land remains productive for farming. These high-integrity environmental planting projects combine robust carbon credit methodologies with ongoing farming activities that benefit local communities, as well as promoting habitat restoration and biodiversity protection.

By integrating carbon projects with traditional farming, Silva Capital aims to balance agricultural productivity and environmental stewardship, adopting a model that supports both economic and ecological sustainability.

Silva Capital stands out in the carbon market for its focus on high-integrity ACCUs achieved through environmental planting and sustainable agricultural practices. The approach involves:

- Regenerating forests on previously cleared lands, enhancing biodiversity, and integrating sustainable agricultural practices
- Employing environmental planting strategies that incorporate a diverse range of locally sourced species, enhancing both biodiversity and the value of carbon credits
- Designing carbon sequestration projects that maintain the agricultural productivity of the land, allowing for concurrent agricultural activities without compromising the environmental goals.

SILVA CARBON ORIGINATION FUND

The flagship fund, Silva Carbon Origination Fund, invests in Australian agricultural land to develop high-integrity carbon abatement projects to generate ACCUs through land reforestation initiatives.

The Silva Carbon Origination Fund projects sequester atmospheric carbon dioxide, directly reducing greenhouse gas concentrations. By offering access to these carbon credits, the Fund enables companies to offset their emissions, helping them comply with the Australian Government's Safeguard Mechanism, which mandates significant emission reductions from large emitters.

The Fund maintains the highest standards of integrity by adhering to rigorous guidelines set by the ACCU framework, overseen by the Clean Energy Regulator. This includes ensuring transparency, accountability, and verifiable impact in all its projects.

The Fund's reforestation projects are designed and implemented following best practices in environmental management. They undergo strict third-party verification to ensure the carbon credits generated are genuine and of high quality. Environmental plantings are considered high-integrity carbon credits because they are designed to represent real and additional reductions in greenhouse gas emissions.

"THIS FUND REPRESENTS NOT ONLY AN INVESTMENT IN CARBON ABATEMENT BUT A SIGNIFICANT MILESTONE IN AUSTRALIA'S CARBON MARKET, THAT WILL, IMPORTANTLY, SUPPORT THE LONG-TERM SUCCESS OF OUR FARMING COMMUNITIES AND NATURE REPAIR."

RAPHAEL WOOD - CO-MANAGING DIRECTOR, SILVA CAPITAL

SILVA CAPITAL

Roc Partners organisation

Roc Partners leads by example, and we hold ourselves to the same standards we expect of our portfolio companies. We work to continuously improve our ESG performance and focus our efforts on areas with the most potential for impact.

Roc Partners responsible investment journey to date

2019

Developed Responsible Investment Policy

2020

Selected as the manager for Victorian Business Growth Fund (VBGF) which has clear environmental and social objectives

2021

Became a signatory to the UNPRI

2022

Hired first Responsible Investment full-time equivalent (FTE)

Published first Responsible Investment Report

Aligned annual ESG reporting for direct investments with ESG Data Convergence Initative (EDCI)

Became members of Initiative Climat International (ICI) aimed at supporting climate action

Vice President Responsible Investment appointed Co-Chair of the Australian Investment Council ESG Committee

Piloted financed emissions reporting for one multi-strategy fund

Completed first Climate Active certification

2023

Hired second Responsible Investment FTE

Completed first UNPRI Transparency Report

Appointed Fiona Reynolds as an advisory board member (formerly UNPRI CEO)

Included responsible investment in annual external operational due diligence process with no red flags identified

Completed first Climate Active certification

2024

First close on JV Carbon Credit Fund (Silva Capital)

Developed an ESG performance assessment framework for direct investments

Introduced a digital ESG reporting platform for direct investments

Developed a formalised RI strategy document endorsed by the managing partners

Started development of Roc Partners Impact Investing Framework

Roc Partners responsible investment ambitions

ESG PLAYBOOK

Continue to enhance our active ownership approach by expanding and improving our ESG Playbook, including the development of sector-specific strategies.

IMPROVE TRANSPARENCY AND DISCLOSURE

- Continue to improve the completeness, accuracy and transparency of direct portfolio company ESG reporting
- Prepare for mandatory climate-related financial disclosures.

IMPROVE ESG INTEGRATION IN THE MULTI-STRATEGY PORTFOLIO

- Outsource ESG due diligence to expert providers
- Increase engagement and stewardship efforts with GPs.

ESG CAPABILITIES

Increase ESG training and workshops provided to all investment professionals.

ESTABLISH RESPONSIBLE INVESTMENT COMMITTEE

Explore the role of a Responsible Investment/ESG sub-committee to formally govern ESG integration throughout the investment process, guide overall firm strategy and oversee ESG risk management.

EMISSIONS MEASUREMENT AND TARGETS

Complete carbon baselines and ongoing carbon assessments for direct portfolio companies to develop the basis for robust, longer-term target setting beyond our immediate ownership period.

ESG KPIS

Introduce KPIs and targets for investment team to drive ESG performance improvement.

REFINE ROC PARTNERS' IMPACT INVESTING FRAMEWORK

- Refine the Roc Partners Impact Framework to target specific United Nations Sustainable Development Goals (UN SDGs)
- Engage with LPs to develop tailored private markets solutions, customised to client-specific requirements.

NET ZERO ROADMAP AND TRANSITION PLANNING

- Explore high-level modelling and assessment of transition pathways for direct portfolio
- Explore potential strategies and solutions required to achieve net zero by 2050.

DEVELOP AN ESG TECHNOLOGY STRATEGY

- Evaluate ESG data management and analytics tools to improvement data collection and reporting
- Consider AI and machine learning applications for ESG analysis, particularly for our multi-strategy portfolio.

ESG monitoring and reporting

THE ESG REPORTING landscape can be disjointed and broad with a wide range of ESG reporting frameworks and standards in use across the market. Roc Partners is committed to reporting frameworks designed for the private markets industry. We will update our approach, where relevant, as reporting frameworks tailored to the private market landscape emerge.

THE ESG DATA CONVERGENCE INITIATIVE (EDCI)

Led by the Institutional Limited Partners Association (ILPA), the EDCI is one of the reporting frameworks we adopt.

We expect our direct portfolio companies to report against the EDCI metrics and other company-specific metrics to monitor ESG performance and drive improvement year-on-year. We will continue to encourage the GPs that we regularly engage with to adopt this same reporting approach.

AUSTRALIA SUSTAINABILITY REPORTING STANDARDS (ASRS)

For the past 18 months, Roc Partners has been providing bespoke financed emissions reports for investors to support our LP's reporting requirements.

In response to the draft ASRS standards which were released in October 2023, Roc Partners undertook a significant project to invest in and expand the breadth and accuracy of our financed emissions reporting. This was focused on our multi-strategy portfolio and included significant mapping and data migration of all funds, secondaries and co-investments exposed to institutional capital, to onboard the granular financial data required to report in alignment with Partnership for Carbon Accounting Financials (PCAF) data quality score of 4.

To date, we have achieved the following:

- **Estimated financed emissions for greater than 90% of GP funds (both in Australia and abroad) exposed to institutional capital. This represents more than 1300 underlying assets**
- **Achieved an average PCAF score of 4.7[28]. Roc Partners is pleased with this score given the challenging nature of measuring financed emissions within our multi-strategy investment portfolio.**

CORPORATE EMISSIONS

In FY24, Roc Partners withdrew from Climate Active[29]. We are committed to focusing our efforts on engagement with our portfolio companies and GPs where we believe we have the most influence in driving meaningful emissions reductions.

Roc Partners seeks to continue measuring its carbon footprint and offsetting emissions through the purchase of high-quality carbon credits.

As the Australian market formalises the requirements for mandatory climate reporting, Roc Partners will adopt the Australian Sustainability Reporting Standards (as required) and will report on its emissions in line with this regulation.

ORGANISATION PERFORMANCE

28.18 tCO2e

SCOPE 1 AND 2 EMISSIONS

992.25 tCO2e

SCOPE 3 EMISSIONS (EXCLUDING FINANCED EMISSIONS)

1021 tCO2e

OFFSETS PURCHASED
- RIMBA RAYA, BIODIVERSITY RESERVE PROJECT, CENTRAL KALIMANTAN, INDONESIA
- RAAK NGUUNGE, SAVANNA BURNING PROJECT, QUEENSLAND, AUSTRALIA

[28] Excluding fund-of-fund investments where Roc Partners is not provided data for underlying assets, which is required for PCAF estimates. PCAF scores range from 1 – 5, with 1 being the highest possible score.
[29] Withdrawal effective as at 9 January 2024.

Diversity, inclusion and employee engagement

IN FY24[30], Roc Partners refreshed its Diversity, Inclusion, Equal Employment Opportunity (EEO) and Anti-Discrimination Policy.

As part of our commitment to diversity and inclusion, our processes ensure Roc Partners:

- Includes diverse representation (seniority, gender, ethnicity etc) as well as representatives from our People and Culture team on each recruitment panel
- Embraces diverse professional and personal backgrounds and experience
- Adopts inclusive language and processes to attract diverse candidates (e.g. gender-neutral parental leave, hybrid/flexible working arrangements)
- Participates in Financial Institution Remuneration Group (FIRG) benchmarking to assess remuneration against diversity metrics and industry standards.

EMPLOYEE ENGAGEMENT

Roc Partners completes an annual employee engagement survey[32]. In FY24, Roc Partners achieved:

- 86% participation rate
- 93% engagement score.

ID. Know Yourself[33] – In FY, Roc Partners continued sponsorship of Isaiah Dawe and the ID. Know Yourself team, who lead a culturally focused and Aboriginal-led mentoring program for Aboriginal and Torres Strait Islander children and young people in the out-of-home care (OOHC) and juvenile justice system.

"WE ARE COMMITTED TO CREATING AN INCLUSIVE ENVIRONMENT THAT VALUES AND LEVERAGES THE DIVERSE BACKGROUNDS AND EXPERIENCES OF ALL OUR EMPLOYEES."

Lisa Rota
Head of People and Culture

ORGANISATION PERFORMANCE[31]

6 NATIONALITIES

14 ETHNICITIES

Our team represents 6 nationalities and 14 ethnicities

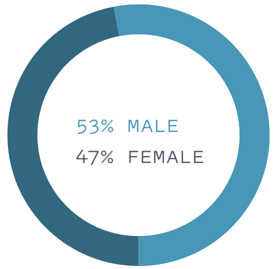
43% BORN OUTSIDE OF AUSTRALIA

of our employees we're born in countries other than Australia

34% BI-LINGUAL

of our employees are at least bi-lingual, collectively speaking 10 different languages

Our gender diversity is:



[30] Data current as at 31 July 2024.
[31] This data is based on voluntary self-reporting by employees and may not capture the full diversity of our workforce.
[32] Managed by an external survey provider.
[33] https://idknowyourself.org.au/

The rise of artificial intelligence

ARTIFICIAL INTELLIGENCE (AI), has the potential to revolutionise private equity firms, particularly through the management and navigation of vast amounts of data.

On one hand, generative AI (genAI) creates numerous opportunities for private equity firms and their portfolios to enhance employees' efficiency during a transaction, streamline the integration process post-acquisition, and offer innovative levers to improve asset performance before exit. However, harnessing the power of genAI requires a robust set of technical capabilities, and introduces a range of operational risks that must be managed. These include cyber security threats, legal and regulatory compliance requirements, as well as broader ESG risks.

RESPONSIBLE AI

Responsible AI (RAI) is the practice of developing and using AI systems in a way that benefits individuals, groups, and wider society while minimising the risk of negative consequences.

To realise the investment and societal opportunities, the governance, design, and application of AI needs to be undertaken responsibly, safely and ethically.

Investors play a crucial role in shaping Australia's RAI ecosystem, yet investors lack established guidance to navigate this rapidly evolving space.

While RAI governance and implementation are in their infancy, overlaying RAI onto existing ESG frameworks offers investors a useful way to analyse threats and opportunities effectively.

AI AT ROC PARTNERS

In FY24, Roc Partners considered how AI will be applied to our organisation and investments.

We **established an AI working group,** convened by the Head of Operations. The working group will explore opportunities to leverage AI to enhance investment performance, operational efficiency, and client service while maintaining the highest risk management standards and ethical practices. The working group will also support our portfolio companies adopting AI-driven innovations to enhance their operational capabilities and competitive edge.

In June, Roc Partners received training from specialist AI advisers on the application of AI in a private market context.

Roc Partners ESG Vice President also moderated an Australian Investment Council Panel on AI for Private Equity and Venture Capital. The panel explored the risk and responsible use of AI in a private capital context, including the potential impact for investors, directors and managers.

RESEARCH SHOWS AI IS TRANSFORMING OUR WORKPLACES AND WORKFORCES[34]

2/3

OF OCCUPATIONS ARE AT RISK OF AUTOMATION.

A$600BN

OF ANTICIPATED ECONOMIC ACTIVITY IS FACING GENERATIVE AI DISRUPTION.

INVESTMENT OPPORTUNITY

7x

THE AMOUNT INVESTED ANNUALLY IN AI BY 2030.

[34] Alphinity Investment Management (2024, 29 April), A Responsible AI Framework for Investors (https://www.alphinity.com.au/a-responsible-ai-framework-for-investors/)

Industry collaboration

ROC PARTNERS plays an advocacy role in the private markets industry in Australia through its involvement and contributions to the Australian Investment Council (AIC).

- Roc Partners Managing Partner, Michael Lukin is an AIC Champion of Change for 2023 – 2025, acting as champion of action and advocacy to accelerate diversity and inclusion in Australia's private markets.
- Investment Director, Anna Ellis is an AIC board member.
- Roc Partners' Responsible Investment Vice President, Sam Bayes is the co-chair of the AIC ESG committee.

Roc Partners has actively contributed to the follow initiatives undertaken by the AIC ESG committee in FY24:

- Developed a dedicated one-day Principles of ESG training course for private markets participants
- Developed an ESG reporting framework for venture capital
- Distributed an ESG questionnaire targeted at GPs to understand ESG reporting challenges and opportunities
- Conducted a panel discussion on the use of Responsible AI and its intersections with ESG Governance
- Conducted a dedicated LP ESG roundtable at the annual AIC Conference.

AUSTRALIAN INVESTMENT COUNCIL | VALUED MEMBER 2024

In addition, Roc Partners engages and/or participates in the following industry groups.

Signatory of:

PRI Principles for Responsible Investment

ESG Data Convergence Initiative

initiative climat international
Private equity action on climate change

Disclaimer

THIS REPORT has been prepared by Roc Partners Pty Limited. For the purposes of this report, “Roc Partners” means Roc Partners Pty Limited, its wholly owned subsidiaries, affiliates, related entities, controlling, associated and/ or affiliated undertakings, and/ or investment entities or funds advised by any of them from time to time.
This report is for general information purposes only and does not constitute investment, legal, tax, regulatory, accounting, or other advice of any kind. It does not constitute an offer to sell or a solicitation of an offer to purchase any security of Roc Partners, any fund or any other investment vehicle or product sponsored, managed or advised by Roc Partners. All content contained within this document is the exclusive property of Roc Partners and is protected by applicable laws; unauthorised use or distribution is strictly prohibited.

Unless specified, any views, including any general discussions regarding the market or market conditions, reflected herein are those solely of Roc Partners, dated as of 28 October 2023 and are subject to change without notice. Roc Partners is not under any obligation to update or keep current the information contained herein.

Examples, case studies or information included in this report are for illustrative and discussion purposes only. Nothing contained in this report constitutes a recommendation, representation of future events or guarantee of performance. Any opinions, estimates and other forward-looking statements in this report are, by their very nature, subject to various risks and uncertainties and actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements.

Certain Information herein has been prepared and compiled by the applicable portfolio company and third parties, and in certain cases have not been updated through to the date thereof . While these sources are believed to be reliable, Roc Partners makes no representations or warranty, express or implied, with respect to the accuracy, fairness, reasonableness or completeness of any of the information contained herein, and expressly disclaims any responsibility of liability therefor. The information herein is not intended to address the circumstances of any particular individual or entity and is being shared with you solely for informational purposes.

The determination and assessment by Roc Partners of which investments to include in the report involves significant judgment and may differ from another party’s review of Roc Partners investments. Another party’s assessment may exclude certain companies or include comparable companies not represented. Nothing contained in this report shall be deemed to be binding against, or to create any obligations or commitment on the part of Roc Partners.

Roc Partners

WWW.ROCP.COM

INFO@ROCP.COM

SYDNEY | MELBOURNE | HONG KONG | NEW YORK